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MONTANA LETTER

FEB 14 1973

PROCUREMENTS SECTION
CURRENT SERIAL RECORDS

ASCS

January 31, 1973

LOAN PAYMENTS MAY BE DEFERRED

The rapidly accelerating demand for grain in recent months, and the need to move great quantities of it from point of origin to ports and consuming centers is providing a tremendous challenge to transportation facilities. Shortages of ships and delays in shipping schedules are backing up grain in ports. This, in turn, means that as port storage facilities are filled, rail cars cannot be unloaded.

There are now embargoes on rail movements to both West Coast and Gulf ports and thousands of cars await unloading in both locations. Great Lake ports, through which much Upper Midwest grain moves, are closed by ice.

The net result to Montana shippers is that they don't get enough cars to move the volume of grain on which they have commitments.

One grain company characterizes the present boxcar situation as, "the worst that the grain trade has ever experienced. There are no prospects for improvement in the foreseeable future."

Meanwhile, stimulated by favorable prices, farmers have contracted much

grain under agreements to deliver this winter and spring. CCC, to help make grain available to meet fall market needs, has announced that virtually all price support loans will end when they mature this spring, generally at the end of April and May.

Producers who still have grain under price support loan at that time would be faced then with the alternatives of redemption by repayment or delivery of the grain to CCC in settlement of the loan.

Probably no one is seriously considering turning grain over to the government at loan prices. But they also must consider how to make repayment in the event the transportation situation is still difficult, and their grain is not yet marketed.

We have been following this situation closely and reporting to our Regional Office the problems experienced and anticipated by farmers, buyers, and railroads. We have recommended several alternative

actions to help ease the producers' plight at loan maturity if the prevailing situation continues.

USDA yesterday announced an alternative--a deferred repayment option for farm-stored loans--to help alleviate the repayment problem. It will give producers



JUST OUT!

a third option when maturity notices are issued for commodities not eligible for further loan. This will promote orderly marketing, alleviate a need for refinancing and prevent unnecessary deliveries of collateral to CCC.

A producer who desires a deferred repayment option will enter into an agreement with his ASC county committee stipulating that he will not be required to make settlement for a specified number of days after maturity, that interest will continue on the same basis (3.5 percent) as in the original note, and that storage will not be earned after the maturity date.

The deferred payment option will be available in counties where commercial market channels are temporarily not available to permit producers to complete grain sales and deliveries.

This is brand new. Forms and procedure are not yet available at ASCS county offices, but they will be available, and well in advance of our May 30 maturity date, to give needed time to sellers and buyers alike.

BAKER IS ALSO ELECTED

With the names of all those new and re-elected county committeemen in



our last LETTER we tried to be especially careful that there were no errors. And we were, but there were.

Frank Baker is the newly elected member of the Garfield County committee. We welcome him and apologize for omitting his name, but this may be a better introduction anyway. Earlier he would have been one in a group of names; now it's an individual thing.

And we listed Larry Jens as a newly elected committeeman. Wrong. Larry completed his first term in 1972 and was re-elected to another term beginning this year.

For these, and other errors which may still be unnoticed, forgive us.

USDA REORGANIZATION PLANNED

Here is a brief summary of the plan for reorganization of the U.S. Department of Agriculture as announced recently.

--A new post of assistant secretary for Rural Development will be created. William Erwin has been nominated for the job. He will be responsible for the Farmers Home Administration, Rural Electrification Administration and the Rural Development Service.



--An assistant secretary for Conservation, Research and Education will have responsibility for the Forest Service, Soil Conservation Service, Agricultural Research Service, Cooperative State Research Service, Extension Service and National Agricultural Library.

--An assistant secretary for Marketing and Consumer Services--Clayton Yeutter has been nominated--will have responsibility for the Commodity Exchange Authority, Agricultural Marketing Service, Food and Nutrition Service, Packers and Stockyards Administration, and Animal and Plant Health Inspection Service.

--Carroll G. Brunthaver is remaining in his position as assistant secretary for International Affairs and Commodity Programs. Agencies reporting to him are Agricultural Stabilization and Conservation Service, Commodity Credit Corporation, Export Marketing Service, Federal Crop Insurance Corporation and Foreign Agricultural Service.

--Frank B. Elliott will continue as assistant secretary for Administration with

responsibility for the Offices of Budget and Finance, Equal Opportunity, Administrative Law Judges, Plant and Operations, Information Systems, Personnel and Management Services.

--Don Parlberg will continue as director of Agricultural Economics. He will supervise activities of the Economic Research Service, Statistical Reporting Service, and Farmer Cooperative Service.

An Office of Communication is established under Claude W. Gifford, former director of information.

FEED GRAIN SET-ASIDE CUT

Secretary of Agriculture Earl L. Butz responded today to dramatic changes in the demand for grain crops by reducing feed grain set-aside requirements and relaxing the ban on haying of acres set-aside under both the feed grain and wheat programs. Revised feed grain program provisions are expected to reduce the acreage held out of production under the feed grain program to about 45 percent of last year's 37 million acres.

The required set-aside for full compliance in the feed grain program is reduced from 30 to 25 percent of a producer's feed grain base. Participants electing not to comply fully with the set-aside program need not make any set-aside of acreage, whereas previously they were to set-aside 15 percent of the base.

A participant who sets aside acreage equal to 25 percent of his base will qualify for payment at the rate of 32 cents per bushel for corn and 26

cents per bushel for barley on half his feed grain base. He will also qualify for the guaranteed national average return equal to 70 percent of parity on October 1, 1973. This guarantee is based on production from half the feed grain base and will be accomplished through supplemental payments, if necessary, after March 1, 1974.



Producers who choose not to set-aside acreage but enroll and limit their 1973 feed grain acreage to not more than their 1972 acreage will be eligible for payments of 15 cents per bushel for corn and 12 cents for barley. Payment will be computed on half the farm base times the farm program yield, as under the full participation option.

Maintenance of a farm's conserving base will be a requirement under both feed grain options.

Haying, as well as grazing, of acreage set-aside under the 1973 programs will be permitted to make more forage available to supplement feed supplies. Program participants planning to utilize set-aside for haying and grazing must notify their ASCS County office in advance and agree that the 1973 conserving base for the farm shall not be less than the one established for 1972. A payment reduction will be made on farms where set-aside is grazed or hayed.

The Secretary stressed that these and other recent changes in programs have been made to insure that the United States has adequate agricultural supplies for export when the demand is there.

OATS SOLD AT CCC BIN SITES

The strength of the grain market during December extended even to our CCC stocks stored in binsites. We have been offering oats and rye on an "offer and acceptance" basis for many months with limited

interest and few buyers. But suddenly in December the market jelled and we sold some 374,000 bushels of oats at prices ranging from 61 to 67.3 cents per bushel.

We still have for sale about 166,000 bushels at the Westby and Outlook sites and about 17,000 bushels of rye at the Westby, Wolf Point and Froid binsites.

The February minimum sales price is market price (either local market or terminal backed-off by subtracting freight and certain handling costs, whichever is higher) but not less than the 1972 loan rate for the county adjusted for quality, plus markups of 18.5 cents per bushel for oats and 27 cents per bushel for rye. The markups are increased each month to reflect carrying charges.

WEST COAST EMBARGO ENDING

To bring you the latest information on the West Coast situation as we end this LETTER, we talked to Henry Sakamoto, manager of our Portland commodity office this morning (February 1).

Henry reports that several houses have lifted their embargo on incoming

grain shipments in the last couple of days. Embargoes which are still in effect--largely at Portland--are expected to be lifted by the weekend or early next week.



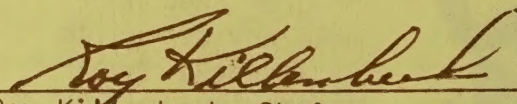
Lifting is due largely to resumption of export shipments as cargo ships, delayed by winter

storms in the Pacific, finally came dockside.

Henry reports there is not much new export interest at the moment other than a couple of cargoes--about 31,000 tons mostly white wheat--to Korea last night and expectation they may buy another 16,000 tons today.

SPREADING IT THIN ... AND QUICK

ASCS COUNTY PERSONNEL are participating in area meetings this week and next Tuesday in final preparation for the signup which begins February 5. It will continue through March 16. Enrollment during this period is a prerequisite to participation in any option under the wheat and feed grain programs... CONGRATULATIONS TO GENEVA BROWN, program assistant in the Big Horn County ASC office for earning a performance award. Geneva recently received a quality salary increase recognizing her outstanding work...BASED ON JANUARY 1 intentions, Montana farmers plan to seed 1.9 million acres of hard spring wheat this year, 3 percent more than last year, and 190,000 acres of durum, an increase of 53,000 over last year's acreage. Barley intentions are the same as 1972--1.8 million acres--and oat planting is estimated to be 12 percent less than 1972 at 430,000 acres. The Montana Crop and Livestock Reporting Service, which makes the estimates, points out that they may be subject to greater departures from actual plantings than usual due to the earliness of the survey and program changes announced after it was made...


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